

PRINCIPAL TERMS OF PLAN OF CONVERSION

The board of directors of CareFirst, Inc. and each of its non-profit subsidiaries (CareFirst of Maryland, Inc., Group Hospitalization and Medical Services, Inc. ("GHMSI") and Blue Cross Blue Shield of Delaware, Inc. ("BCBSD")) will adopt a Plan of Conversion providing for the conversion of the companies from non-profit to for-profit status. For all companies except GHMSI, the conversion will be accomplished by means of the adoption of amended and restated articles or certificates of incorporation providing that the corporation will operate as a for-profit business corporation. The conversions will be subject to regulatory approval in each of the jurisdictions listed. GHMSI, a federally chartered corporation, will be re-chartered in the District of Columbia, which will require approval of the U.S. Congress. In determining whether to approve the conversion, the regulators must find that the fair value of the assets has been received and that the conversion is in the public interest.

Following the amendment of its charter (or, in the case of GHMSI, its re-chartering), each subsidiary insurer will issue shares of its Common Stock (which will constitute all of its issued and outstanding shares) to CareFirst, thus becoming a wholly-owned subsidiary of CareFirst. CareFirst will then issue up to 10,000 shares of its Common Stock to tax-exempt entities in Maryland, the District of Columbia and Delaware-a. The tax exempt entity in each jurisdiction will receive that number of shares of Common Stock of CareFirst representing which corresponds to the percentage of the aggregate value of CareFirst represented by the subsidiary insurer of the particular jurisdiction, as agreed among the regulators in the jurisdictions involved. Following those issuances, all of the issued and outstanding capital stock of CareFirst will be owned by the tax-exempt entities designated by the regulators in those jurisdictions.

In the Merger, each share of CareFirst Common Stock will be converted into an equity interest in Purchaser and an amount of cash equal to the per share purchase price payable pursuant to the terms of the merger.

~~After the merger, the Primary CareFirst Insurers will each continue to provide healthcare services as licensed insurers to the communities in each of their respective jurisdictions that they currently serve.~~

DEFINITIONS

"Affiliate" as to a specified person, means any person which directly or indirectly through one or more intermediaries, controls (i.e., possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of a person whether through ownership of voting securities, by contract, through membership or otherwise), is controlled by, or is under common control with, the specified person.

"Aggregate Cash Consideration" means ~~an amount specified by Purchaser at least five business days prior to Closing, which amount shall not be less than \$780 million.~~

"Aggregate Stock Consideration" means the lesser of (i) that number of shares of Class A Common Stock of Atlantic determined by the quotient obtained by dividing (ix) the Purchase Price less the Aggregate Cash Consideration \$520 million by (ix) the Average Purchaser Stock Price, or (ii) 10,400,000 shares of Class A Common Stock of Atlantic.

"Agreement" means this Agreement and Plan of Merger dated as of _____, 2001, together with the Appendices and attachments hereto and thereto.

"Articles of Merger" shall have the meaning set forth in Section 2.2 hereof.

"Average Purchaser Stock Price" means ~~the greater of (i) the average closing price for the Purchaser's Class A Common Stock on the New York Stock Exchange during the 20 trading days ending five trading days before the Closing Date or (ii) \$45.22 [discuss who bears risk if average stock price falls below \$45.22].~~

"BCBSA" shall mean the Blue Cross and Blue Shield Association.

"BCBSD" means BCBSD, Inc., a non-stock Delaware corporation, d/b/a Blue Cross Blue Shield of Delaware.

"BCBS-MD" means CareFirst of Maryland, Inc., a Maryland corporation licensed as a non-profit health service plan.

"BCBS-NCA" means Group Hospitalization and Medical Services, Inc. d/b/a Blue Cross and Blue Shield of the National Capital Area, a non-profit corporation incorporated under federal charter.

"Benefit Plans" means all employee benefit plans as defined in Section 3(3) of ERISA and all other employee benefit arrangements, obligations, customs, or practices (including but not limited to a payroll practice), whether or not legally enforceable, to provide benefits, other than salary, as compensation for services rendered, to current or former directors, employees or agents of CareFirst or the Purchaser, as the case may be or an ERISA Affiliate of such Party.

including, without limitation, employment agreements (whether written or oral), severance agreements, executive compensation arrangements, incentive programs or arrangements, sick leave, vacation pay, severance pay policies, plant closing benefits, salary continuation for disability, consulting or other compensation arrangements, workers' compensation, deferred compensation, bonus, stock option or purchase, hospitalization, medical insurance, life insurance, tuition reimbursement or scholarship programs, any plans providing benefits or payments in the event of a change of control, change in ownership, or sale of a substantial portion (including all or substantially all) of the assets of any business of CareFirst or the Purchaser, other than Multiemployer Plans, maintained by CareFirst or the Purchaser or an ERISA Affiliate or to which CareFirst or the Purchaser or an ERISA Affiliate has contributed or is or was obligated to make payments, in each case with respect to any current or former employees, directors or agents of CareFirst, the Purchaser or an ERISA Affiliate of such Party, in the six-year period before the date of this Agreement.

"Best Efforts" shall mean, as to a party hereto, an undertaking by such party to perform or satisfy an obligation or duty or otherwise act in the manner that a person desirous of achieving a result would act in similar circumstances to ensure that such result is achieved as expeditiously as possible; provided however, that such Party shall not be required to take any action that would result in a materially adverse change in the benefits to such person of this Agreement and the transactions contemplated by this Agreement.

"Board of Directors" means the Purchaser Board of Directors, the CFAC Board of Directors, or the CareFirst Board of Directors, as is indicated by the context in which the term appears.

"CareFirst" means CareFirst, Inc., a Maryland corporation.

"CareFirst Common Stock" shall have the meaning set forth in the Recitals hereto.

"CareFirst Company" means CareFirst and each CareFirst Subsidiary (collectively, the "CareFirst Companies").

"CareFirst Disclosure Schedule" means the confidential disclosure provided by CareFirst to Purchaser pursuant to this Agreement.

"CareFirst Environmental Reports" shall have the meaning set forth in Section 4.15 hereof.

"CareFirst Insurer" means the Primary CareFirst Insurers and any other Insurer that is directly or indirectly owned, controlled or operated by CareFirst or any of its Affiliates.

"CareFirst Material Adverse Effect" shall mean a material adverse effect on the business, assets, liabilities, financial condition ~~or~~ results of operations, or prospects of the CareFirst Companies, taken as a whole. The failure of any of the CareFirst Companies to qualify as an "existing Blue Cross and Blue Shield organization," as defined in Section 833(c)(2) of the

Code, shall not constitute a CareFirst Material Adverse Effect if such failure results from the Conversion or the Merger.

"CareFirst Material Contracts" means, with respect to the CareFirst Companies: (i) the 25 largest provider and 25 largest customer contracts measured in terms of payments to or receipts from any CareFirst Company; (ii) any contract, other than a provider contract, customer contract or employee benefit plan, arrangement or agreement, that, by its terms, does not terminate within one year after the date of such contract and is not cancelable during such period without penalty or without payment, and which involves an aggregate payment or commitment on the part of any party thereto of more than \$1 million during any twelve (12) month period; (iii) any contract, other than a contract, plan, arrangement or agreement referenced in subsection (ii) above, that is material to the financial condition, results of operations, assets, business or prospects of the CareFirst Companies, taken as a whole; and (iv) any material loan agreement or other evidence of indebtedness for borrowed money.

"CareFirst Owned Properties" means any real property that is owned in fee simple by any CareFirst Company.

"CareFirst Permitted Liens" means any mortgage, deed of trust, lien, pledge, security interest, claim, lease, charge, option, right of first refusal, easement, restrictive covenant, encroachment or other survey defect which, in the aggregate, would not have a CareFirst Material Adverse Effect.

"CareFirst Plans" shall have the meaning set forth in Section 4.12(a) hereof.

"CareFirst Primary Filings" shall have the meaning set forth in Section 4.4(b) hereof.

"CareFirst Properties" shall have the meaning set forth in Section 4.15 hereof.

"CareFirst Subsidiary" shall mean every entity in which CareFirst owns 50% or more of the outstanding equity, directly or indirectly, and each Primary CareFirst Insurer.

"CareFirst Subsidiary Shares" shall mean any equity or member interests in a CareFirst Subsidiary held, directly or indirectly, by CareFirst.

"CareFirst Financial Statements" shall have the meaning set forth in Section 4.5(a) hereof.

"Certificate of Authority" means a certificate issued to Insurers by any insurance administration that such Insurer is required to hold.

"CFAC" means CF Acquisition Corporation, a Maryland corporation.

"Change of Control" as to a specified person, means a transaction or event or circumstance that results in a party that is not an Affiliate of such specified person immediately

prior to such transaction, event or circumstance becoming an Affiliate of such specified person immediately after such transaction, event or circumstance.

"Closing" shall have the meaning set forth in Section 2.2 hereof.

"Closing Date" means the date of the Closing, as determined under Section 2.2 hereof.

"Code" means the Internal Revenue Code of 1986, as amended.

"Confidentiality Agreement" shall have the meaning set forth in Section 6.2(c) hereof.

"Conversion" shall have the meaning set forth in Section 6.8 hereof.

"D.C. Superintendent" means the Superintendent of Insurance of the District of Columbia.

"Delaware Commissioner" means the Delaware Insurance Commissioner.

"DOJ" shall mean the Antitrust Division of the Department of Justice.

"Effective Time" shall have the meaning set forth in Section 2.2 hereof.

"Environmental Laws" means federal, state, local, and municipal laws, ordinances, common law, rules, orders, decrees, statutes and regulations, relating to pollution or the protection of the environment or human health and safety, or to the cleanup or restoration of the environment, including, without limitation, any laws or regulations relating to (a) generation, treatment, storage, disposal or transportation of Materials of Environmental Concern, (b) emissions, discharges or other releases or threatened releases of Materials of Environmental Concern or protection of the environment from the same and (c) exposure of persons to Materials of Environmental Concern.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and includes the regulations thereunder.

"ERISA Affiliate" means any trade or business the employees of which, together with the employees of CareFirst or Purchaser, as the case may be, are treated as employed by a single employer under Section 414(b), (c), (m) or (o) of the Code.

"Executive Employee" means as to Purchaser and CareFirst, as the case may be, those employees listed as such on Attachment 9.10 of this Agreement.

"FTC" shall mean the Federal Trade Commission.

"GAAP" means generally accepted accounting principles consistently applied in the United States.

"Governmental Entity" means federal, state or local government or any court, administrative or regulatory agency, body or commission or other governmental authority or agency, domestic or foreign.

"Health Benefit Law" means any local, state or federal law, ordinance, regulation or order relating to the license, certification, qualification or authority to transact business relating to the provision of or payment for health benefits and insurance and any such laws relating to the regulation of health maintenance organizations, point-of-service plans, third party administrators, utilization review, hospital reimbursement, Medicare and Medicaid participation, fraud and abuse and patient referrals.

"~~Hearings~~Hearing" shall have the meaning set forth in Section 6-76.8(d) hereof.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Insurer" means any person transacting the business of insurance or operating a health maintenance organization, whether or not such person holds a Certificate of Authority for transacting such insurance business or for operating such health maintenance organization.

"Intellectual Property" means all patents, inventions, discoveries, technologies, copyrights, software, trademarks, service marks, trade names, corporate names, trade dress, trade secrets and all other intellectual property rights.

"IRS" means the Internal Revenue Service.

"Maryland Administration" means the Maryland Insurance Administration.

"Materially Burdensome Condition" means any condition imposed on any Purchaser Company or CareFirst Company which would (i) materially limit the ability of Purchaser after the Merger, as the sole stockholder of CareFirst, to exercise full rights of ownership of the shares of CareFirst, including, without limitation, the right to vote such shares as provided by Maryland law, (ii) materially limit the ability of CareFirst, as the Surviving Corporation in the Merger, to exercise full rights of ownership of the shares of the Primary CareFirst Insurers, including the right to vote such shares as provided by applicable law, (iii) materially limit the ability of Purchaser to operate the business of the CareFirst Companies after the Merger in substantially the same manner as the CareFirst Companies were operated before the Merger, ~~or~~ (iv) materially change the terms of the consideration to be paid in connection with the transactions contemplated by this Agreement, or (v) materially reduces the value of the CareFirst Companies taken as a whole in the hands of Purchaser below the value that would have existed had such condition not been imposed.

"Materials of Environmental Concern" means all hazardous chemicals, solid wastes, hazardous wastes, hazardous materials, toxic substances, petroleum or petroleum products or

hazardous substances as now defined or regulated under any Environmental Laws including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, the Resource Conservation and Recovery Act, the Clean Water Act, the Clean Air Act, the Toxic Substances Control Act and the Hazardous Materials Transportation Act.

"Merger" shall have the meaning set forth in Section 2.1 hereof.

"Merger Proposal" shall have the meaning set forth in Section 6.14 hereof.

"Multiemployer Plan" means any multiemployer plan as defined in Section 3(37) of ERISA to which CareFirst or the Purchaser, as the case may be, or an ERISA Affiliate of such party has contributed or is or was obligated to make payments, in each case with respect to any current or former employees of CareFirst or the Purchaser, as the case may be, or an ERISA Affiliate of such party before the Closing Date.

"Multiple Employer Plan" means a Benefit Plan that is a multiple employer plan subject to Sections 4063 and 4064 of ERISA or Section 413(c) of the Code.

"Pension Plan" means a Benefit Plan that is an employee pension benefit plan as defined in Section 3(2) of ERISA.

"Per Share Amount" shall have the meaning set forth in Section 3.1 hereof.

"Plan of Conversion" shall have the meaning set forth in Section 6.8(a) hereof.

"Primary CareFirst Companies" shall mean CareFirst, BCBS-MD, BCBS-NCA and BCBSD.

"Primary CareFirst Insurers" means BCBS-MD, BCBS-NCA and BCBSD.

"Primary Filings" shall have the meaning set forth in Section 4.4(b) hereof.

"Primary Purchaser Companies" means [to come].

"Primary Purchaser Insurers" means [to come].

"Private Letter Ruling" shall mean a letter ruling from the IRS to CareFirst ruling that:

(a) (i) The Conversion of each of the Primary CareFirst Companies from non-stock nonprofit corporation to a for-profit stock corporations will constitute a reorganization within the meaning of Section 368(a)(1)(E) of the Code; (ii) the Primary CareFirst Companies will be parties to a reorganization within the meaning of Section 368(b) of the Code; (iii) no gain or loss will be recognized by the Primary CareFirst Companies as a result of the reorganization; and (iv)

each of the Primary CareFirst Companies' basis, holding periods, earnings and profits, and accounting periods and methods will not be affected by the Conversion.

(b) The Merger will not cause the Conversion to violate the continuity of interest requirement of Treasury Regulation Section 1.368-1(e), or otherwise cause the Conversion to fail to qualify as a reorganization within the meaning of Section 368(a)(1)(E) of the Code.

(c) Gain or loss recognized by the Tax-Exempt Entities from the exchange of the CareFirst Common Stock in the Merger will not be subject to unrelated business income tax.

"Purchase Price" means ~~\$1.3 billion, in U.S. dollars~~ the Aggregate Cash Consideration and the Aggregate Stock Consideration.

"Purchaser" means Atlantic, a _____ for-profit corporation.

"Purchaser Company" means Purchaser and any Purchaser Subsidiary.

"Purchaser Financial Statements" shall have the meaning set forth in Section 5.6(c) hereof.

"Purchaser Disclosure Schedule" means the confidential disclosure provided by Purchaser to CareFirst pursuant to this Agreement.

"Purchaser Insurer" means any Purchaser Company that is an Insurer.

"Purchaser Material Adverse Effect" means a material adverse effect on the business, assets, liabilities, financial condition, or results of operations, or prospects of Purchaser and the Purchaser Subsidiaries, taken as a whole.

"Purchaser Proxy Statement" means the proxy statement filed by the Purchaser with the SEC and delivered to Purchaser's shareholders who are entitled to vote on the merger or any of the other transactions contemplated hereby.

"Purchaser SEC Filings" shall have the meaning set forth in Section 5.6 hereof.

"Purchaser Subsidiary" shall mean every entity in which Purchaser owns 50% or more of the outstanding equity, directly or indirectly, and which is material to the operations or financial condition of Purchaser.

"Purchaser Subsidiary Shares" shall have the meaning set forth in Section 5.1(c) hereof.

"Qualified Plan" means a plan qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended.

"Regulatory Fees" means all fees and expenses of counsel and other experts retained by the regulatory authorities in Maryland, Delaware, and the District of Columbia in connection with the transactions contemplated by this Agreement and any other fees or expenses that are imposed on Purchaser by such regulatory authorities, including any fees and expenses that are imposed pursuant to the Maryland Code, State Government, § 6.5-203(e)(3), Maryland Code, Insurance, § 7-307, District of Columbia Code §§ 31-3502(b)(2), 44-603(d), 44-606(c), and 31-703(g)(3), and Delaware Code § 5003(d)(3).

"Resale Registration Statement" means the registration statement to be filed by Purchaser with the SEC to register Purchaser's Class A Common Stock to be issued in the Merger for resale by the Tax-Exempt Entities.

"SAP" shall mean the statutory accounting practices prescribed or permitted by the Departments of Insurance of the State of Maryland, the State of Delaware, the Commonwealth of Virginia or the District of Columbia, as the case may be.

"SEC" means the Securities and Exchange Commission.

"Securities Act" shall have the meaning set forth in Section 5.9 hereof.

"Superior Proposal" shall have the meaning set forth in Section 6.14 hereof.

"Surviving Corporation" shall have the meaning set forth in Section 2.1 hereof.

"Tax Exempt Entity" shall have the meaning set forth in the Recitals hereto.

"Taxes" means all federal, state, local and foreign income, property, sales, excise and other taxes, of any nature whatsoever (whether payable directly or by withholding), together with any interest and penalties, additions to tax or additional amounts imposed with respect thereto.

"Transition Team" shall have the meaning set forth in Section 6.2(b) hereof.

"Welfare Plan" means a Benefit Plan that is an employee welfare benefit plan as defined in Section 3(1) of ERISA.

ARTICLES OF MERGER

between

CAREFIRST, INC.
(a Maryland Corporation)

and

CF ACQUISITION CORP.
(a Maryland Corporation)

CAREFIRST, INC., a corporation duly organized and existing under the laws of the State of Maryland ("CareFirst"), and CF ACQUISITION CORP., a corporation duly organized and existing under the laws of the State of Maryland ("CFAC"), do hereby certify that:

FIRST: CareFirst and CFAC agree to merge.

SECOND: The name and place of incorporation of each party to these Articles are CAREFIRST, INC. a Maryland corporation, and CF ACQUISITION CORP., a Maryland corporation. CareFirst shall survive the merger as the successor corporation and shall continue under the name "CAREFIRST, INC." as a corporation of the State of Maryland.

THIRD: CareFirst has its principal office in the State of Maryland in Baltimore County. CFAC has its principal office in the State of Maryland in Baltimore County and does not own an interest in land in the State of Maryland.

FOURTH: The terms and conditions of the transaction set forth in these Articles were advised, authorized, and approved by each corporation party to the Articles in the manner and by the vote required by its Charter and the laws of the state of its incorporation. The manner of approval was as follows:

(a) The Board of Directors of CareFirst at a meeting duly called and held on _____, 2001 adopted resolutions which declared that the proposed merger was advisable on substantially the terms and conditions set forth or referred to in the resolutions and directed that the proposed merger be submitted for consideration by unanimous written consent of the stockholders of CareFirst. Notice was waived by each stockholder of CareFirst. By written consent dated _____, 2001, signed by all of the stockholders of CareFirst and filed with the minutes of proceedings of stockholders, the proposed merger was approved by the stockholders of CareFirst by the affirmative vote of all the votes entitled to be cast on the matter.

(b) The Board of Directors of CFAC by unanimous written consent dated _____, 200_, signed by all the directors and filed with the minutes of proceedings of the Board of Directors of CFAC adopted resolutions which declared that the proposed merger was advisable on substantially the terms and conditions set forth or referred to in the resolutions and directed that the proposed merger be submitted for consideration by written consent of the sole stockholder of CFAC. Notice was waived by such stockholder. By written consent dated _____, 200_, signed by the sole stockholder of CFAC and filed with the minutes of proceedings of stockholders, the proposed merger was approved by the sole stockholder of CFAC.

FIFTH: No amendment to the Charter of CareFirst is to be effected as a part of the merger.

SIXTH: The total number of shares of capital stock of all classes which CareFirst or CFAC, respectively, has authority to issue, the number of shares of each class which CareFirst or CFAC, respectively, has authority to issue, and the par value of the shares of each class which CareFirst or CFAC, respectively, has authority to issue are as follows:

(a) The total number of shares of stock of all classes which CareFirst has authority to issue is _____ shares, of which _____ shares are classified as Preferred Stock (par value \$ _____ per share) and _____ shares are classified as Common Stock (par value \$ _____ per share). The aggregate par value of all the shares of stock of all classes of CareFirst is \$ _____.

(b) The total number of shares of stock of all classes which CFAC has authority to issue is _____ shares, of which _____ shares are classified as Preferred Stock (par value \$ _____ per share) and _____ shares are classified as Common Stock (par value \$ _____ per share). The aggregate par value of all the shares of stock of all classes of CFAC is \$ _____.

SEVENTH: The merger does not change the authorized stock of CareFirst.

EIGHTH: The manner and basis of converting or exchanging issued stock of the merging corporations into different stock of a corporation, for other consideration and the treatment of any issued stock of the merging corporations not to be converted or exchanged are as follows. At the effective time of the merger, each issued and outstanding share of CareFirst common stock shall, by virtue of the merger and without any action on the part of the holder thereof, be converted into the per share amount as set forth herein. The per share amount shall be an amount equal to the [(x) the aggregate cash consideration plus the aggregate stock consideration] divided by (y) [the number of shares of CareFirst common stock outstanding immediately prior to the effective time]. At the closing, each holder of outstanding CareFirst common stock as shown on the books and records of CareFirst shall receive, in respect of each share of CareFirst common stock, a certificate or certificates representing the number of shares of the purchaser class A common stock along with cash (or immediately available funds) that together constitute the per share amount.

NINTH: The merger shall become effective at 11:59 p.m. on _____, 200_.

IN WITNESS WHEREOF, CAREFIRST, INC. and CFAC have caused these presents to be signed in their respective names and on their respective behalves by their respective presidents and witnessed by their respective secretaries on _____, 200_.

WITNESS:

CAREFIRST, INC.
(a Maryland corporation)

Secretary

By _____
President

WITNESS:

CF ACQUISITION CORP.
(a Maryland corporation)

Secretary

By _____
President

THE UNDERSIGNED, President of CAREFIRST, INC., who executed on behalf of the Corporation the foregoing Articles of Merger of which this certificate is made a part, hereby acknowledges in the name and on behalf of said Corporation the foregoing Articles of Merger to be the corporate act of said Corporation and hereby certifies that to the best of his knowledge, information and belief the matters and facts set forth therein with respect to the authorization and approval thereof are true in all material respects under the penalties of perjury.

President

THE UNDERSIGNED, President of CF ACQUISITION CORP., who executed on behalf of the Corporation the foregoing Articles of Merger of which this certificate is made a part, hereby acknowledges in the name and on behalf of said Corporation the foregoing Articles of Merger to be the corporate act of said Corporation and hereby certifies that to the best of his knowledge, information and belief the matters and facts set forth therein with respect to the authorization and approval thereof are true in all material respects under the penalties of perjury.

President

VOTING TRUST AGREEMENT

Voting Provisions

The Voting Trust Agreements will provide that Purchaser shares received by the Tax Exempt Entities will be voted in accordance with the recommendation of the Board of Directors of Purchaser.

Standstill Provisions

The Voting Trust Agreements will contain standstill provisions acceptable to the Tax Exempt Entities, Purchaser and BCBSA, including, without limitation, the following:

- Prohibiting the acquisition of any additional Purchaser shares.
- Prohibiting the sale of Purchaser shares to any person who owns Purchaser shares in excess of the applicable ownership limits or if the sale would cause such person to beneficially own Purchaser shares in excess of the applicable ownership limits.
- Prohibiting actions to nominate, appoint or elect any person as a candidate to the Board of Directors of Purchaser other than a candidate nominated by Purchaser's Board.
- Prohibiting activity relating to change of control proposals.

Resales of Purchaser Shares

- Shares may be sold in up to [3] underwritten public offerings initiated by the Tax Exempt Entities pursuant to the Resale Registration Statement. The Tax Exempt Entities may not initiate (i) more than 1 underwritten offering in any 12 month period, (ii) an underwritten offering for less than \$100 million in aggregate market value. Sales pursuant to the Resale Registration Statement will be subject to customary provisions as to (a) indemnification and expenses, (b) comfort letters and (c) opinions of counsel.
- Shares may be sold in PiggyBack Registrations if Purchaser initiates an underwritten offering pursuant to the Resale Registration Statement, subject to customary cutbacks.
- Shares may be resold in private transactions.

- Shares sold in the open market will comply with the volume limitations and manner of sale provisions of Rule 144.

Blackout Provisions

The Tax Exempt Entities will refrain from sales of Purchaser Shares for a period of time specified in the Voting Trust Agreements:

- If the Purchaser determines in good faith that the sale would (i) materially and adversely interfere with any business combination, financing or other transaction involving the Purchaser, or (ii) result in the premature disclosure of any corporate development involving the Purchaser.
- If the Purchaser contemplates or initiates an offering and advises the Tax-Exempt Entities in writing that a sale would adversely affect such offering.
- If the Purchaser notifies the Tax Exempt Entities that the prospectus relating to sales by the Tax Exempt Entities includes an untrue statement or omission of a material fact.

Drag Along Rights

- Purchaser may require the Tax Exempt Entities to participate with Purchaser in up to 3 registered offerings of Purchaser Stock after closing so as to reduce their aggregate ownership to less than 5%.

Repurchase Option

- Purchaser shall have the right to repurchase any shares held by the Tax Exempt Entities at price determined in accordance with the Voting Trust Agreements.

Reduction in Percentage Ownership

- The Tax Exempt Entities will reduce their aggregate ownership of Purchaser to less than 5% within 3 years after closing.

It is currently contemplated that Purchaser will file a shelf registration statement covering sales of Purchaser shares by Purchaser as well as sales of the Purchaser shares received by the Tax Exempt Entities.

PRIMARY FILINGS

Filing by CareFirst and BCBS-MD under the Maryland Acquisition of Nonprofit Health Entities Act and approval by the Maryland Administration of the Conversion of CareFirst and BCBS-MD under such Act.

Filing by Purchaser under the Maryland Acquisition of Nonprofit Health Entities Act and approval of the Merger by the Maryland Administration under such Act.

Filing by Purchaser under the Maryland Insurance Acquisitions Disclosure and Control Act and approval by the Maryland Administration of Purchaser's acquisition of control of CareFirst and BCBS-MD under such Act.

Enactment of legislation by the United States Congress that permits BCBS-NCA to be rechartered as a District of Columbia corporation under the District of Columbia Nonprofit Corporations Act.

Filing by BCBS-NCA under the District of Columbia Hospital and Medical Services Corporation Act and approval by the Mayor of the Conversion of BCBS-NCA to a stock corporation under such Act.

Filing by BCBS-NCA with the District of Columbia Corporation Counsel under the District of Columbia Health Care Entity Conversion Act and approval of the conversion by the Corporation Counsel under such Act.

Filing by Purchaser under the District of Columbia Insurance Holding Company Act and approval by the D.C. Superintendent of Purchaser's acquisition of control of BCBS-NCA under such Act.

Enactment of legislation by the Delaware legislature authorizing the conversion of BCBSD to a stock corporation.

Filing by BCBSD of a Plan of Conversion with the applicable Delaware regulatory authorities and approval by such authorities of the Conversion of BCBSD to a stock corporation.

Filing by Purchaser under the Delaware Insurance Holding Company System Registration Act and approval by the Delaware Commissioner of Purchaser's acquisition of control of BCBSD under such Act.

PLAN OF CONVERSION

[To Come]

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Document comparison done by DeltaView on Tuesday, October 16, 2001 11:58:19

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| Deletions | 272 |
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| Format changed | 0 |
| Total changes | 675 |